



# House of Representatives

General Assembly

**File No. 100**

*January Session, 2001*

Substitute House Bill No. 6828

*House of Representatives, April 2, 2001*

The Committee on Energy and Technology reported through REP. GIANNAROS of the 21st Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT CONCERNING FINANCIAL REPORTING FOR UTILITIES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 16-19 of the general statutes is repealed and the following is  
2 substituted in lieu thereof:

3 (a) No public service company may charge rates in excess of those  
4 previously approved by the authority or the Department of Public  
5 Utility Control except that any rate approved by the Public Utilities  
6 Commission or the authority shall be permitted until amended by the  
7 authority or the department, that rates not approved by the authority  
8 or the department may be charged pursuant to subsection (b) of this  
9 section, and that the hearing requirements with respect to adjustment  
10 clauses are as set forth in section 16-19b. Each public service company  
11 shall file any proposed amendment of its existing rates with the  
12 department in such form and in accordance with such reasonable  
13 regulations as the department may prescribe. Each electric, electric

14 distribution, gas or telephone company filing a proposed amendment  
15 shall also file with the department an estimate of the effects of the  
16 amendment, for various levels of consumption, on the household  
17 budgets of high and moderate income customers and customers  
18 having household incomes not more than one hundred fifty per cent of  
19 the federal poverty level. Each electric and electric distribution  
20 company shall also file such an estimate for space heating customers.  
21 Each water company, except a water company that provides water to  
22 its customers less than six consecutive months in a calendar year, filing  
23 a proposed amendment, shall also file with the department a plan for  
24 promoting water conservation by customers in such form and in  
25 accordance with a memorandum of understanding entered into by the  
26 department pursuant to section 4-67e. Each public service company  
27 shall notify each customer who would be affected by the proposed  
28 amendment, by mail, at least one week prior to the public hearing  
29 thereon, that an amendment has been or will be requested. Such notice  
30 shall also indicate (1) the Department of Public Utility Control  
31 telephone number for obtaining information concerning the schedule  
32 for public hearings on the proposed amendment, and (2) whether the  
33 proposed amendment would, in the company's best estimate, increase  
34 any rate or charge by twenty per cent or more, and, if so, describe in  
35 general terms any such rate or charge and the amount of the proposed  
36 increase, provided no such company shall be required to provide more  
37 than one form of the notice to each class of its customers. In the case of  
38 a proposed amendment to the rates of any public service company, the  
39 department shall hold a public hearing thereon, except as permitted  
40 with respect to interim rate amendments by subsection (d) and  
41 subsection (g) of this section, and shall make such investigation of such  
42 proposed amendment of rates as is necessary to determine whether  
43 such rates conform to the principles and guidelines set forth in section  
44 16-19e, or are unreasonably discriminatory or more or less than just,  
45 reasonable and adequate, or that the service furnished by such  
46 company is inadequate to or in excess of public necessity and

47 convenience. The department, if in its opinion such action appears  
48 necessary or suitable in the public interest may, and, upon written  
49 petition or complaint of the state, under direction of the Governor,  
50 shall, make the aforesaid investigation of any such proposed  
51 amendment which does not involve an alteration in rates. If the  
52 department finds any proposed amendment of rates to not conform to  
53 the principles and guidelines set forth in section 16-19e, or to be  
54 unreasonably discriminatory or more or less than just, reasonable and  
55 adequate to enable such company to provide properly for the public  
56 convenience, necessity and welfare, or the service to be inadequate or  
57 excessive, it shall determine and prescribe, as appropriate, an adequate  
58 service to be furnished or just and reasonable maximum rates and  
59 charges to be made by such company. In the case of a proposed  
60 amendment filed by an electric, electric distribution, gas or telephone  
61 company, the department shall also adjust the estimate filed under this  
62 subsection of the effects of the amendment on the household budgets  
63 of the company's customers, in accordance with the rates and charges  
64 approved by the department. The department shall issue a final  
65 decision on each rate filing within one hundred fifty days from the  
66 proposed effective date thereof, provided it may, before the end of  
67 such period and upon notifying all parties and intervenors to the  
68 proceedings, extend the period by thirty days.

69 (b) If the department has not made its finding respecting an  
70 amendment of any rate within one hundred fifty days from the  
71 proposed effective date of such amendment thereof, or within one  
72 hundred eighty days if the department extends the period in  
73 accordance with the provisions of subsection (a) of this section, such  
74 amendment may become effective pending the department's finding  
75 with respect to such amendment upon the filing by the company with  
76 the department of assurance satisfactory to the department, which may  
77 include a bond with surety, of the company's ability and willingness to  
78 refund to its customers with interest such amounts as the company  
79 may collect from them in excess of the rates fixed by the department in

80 its finding or fixed at the conclusion of any appeal taken as a result of a  
81 finding by the department.

82 (c) Upon conclusion of its investigation of the reasonableness of any  
83 proposed increase of rates, the department shall order the company to  
84 refund to its customers with interest any amounts the company may  
85 have collected from them during the period that any amendment  
86 permitted by subsection (b) of this section was in force, which amounts  
87 the department may find to have been in excess of the rates fixed by  
88 the department in its finding or fixed at the conclusion of any appeal  
89 taken as a result of a finding by the department. Any such refund  
90 ordered by the department shall be paid by the company, under  
91 direction of the department, to its customers in such amounts as are  
92 determined by the department.

93 (d) Nothing in this section shall be construed to prevent the  
94 department from approving an interim rate increase, if the department  
95 finds that such an interim rate increase is necessary to prevent  
96 substantial and material deterioration of the financial condition of a  
97 public service company, to prevent substantial deterioration of the  
98 adequacy and reliability of service to its customers or to conform to the  
99 applicable principles and guidelines set forth in section 16-19e,  
100 provided the department shall first hold a special public hearing on  
101 the need for such interim rate increase and the company, at least one  
102 week prior to such hearing, notifies each customer who would be  
103 affected by the interim rate increase that such an increase is being  
104 requested. The company shall include the notice in a mailing of  
105 customer bills, unless such a mailing would not provide timely notice,  
106 in which case the department shall authorize an alternative manner of  
107 providing such notice. Any such interim rate increase shall only be  
108 permitted if the public service company submits an assurance  
109 satisfactory to the department, which may include a bond with surety,  
110 of the company's ability and willingness to refund to its customers  
111 with interest such amounts as the company may collect from such

112 interim rates in excess of the rates approved by the department in  
113 accordance with subsection (a) of this section. The department shall  
114 order a refund in an amount equal to the excess, if any, of the amount  
115 collected pursuant to the interim rates over the amount which would  
116 have been collected pursuant to the rates finally approved by the  
117 department in accordance with subsection (a) of this section or fixed at  
118 the conclusion of any appeal taken as a result of any finding by the  
119 department. Such refund ordered by the department shall be paid by  
120 the company to its customers in such amounts and by such procedure  
121 as ordered by the department.

122 (e) If the department finds that the imposition of any increase in  
123 rates would create a hardship for a municipality, because such increase  
124 is not reflected in its then current budget, or cannot be included in the  
125 budget of its fiscal year which begins less than five months after the  
126 effective date of such increase, the department may defer the  
127 applicability of such increase with respect to services furnished to such  
128 municipality until the fiscal year of such municipality beginning not  
129 less than five months following the effective date of such increase;  
130 provided the revenues lost to the public service company through such  
131 deferral shall be paid to the public service company by the  
132 municipality in its first fiscal year following the period of such  
133 deferral.

134 (f) Any public service company, as defined in section 16-1, filing an  
135 application with the Department of Public Utility Control to reopen a  
136 rate proceeding under this section, which application proposes to  
137 increase the company's revenues or any rate or charge of the company  
138 by five per cent or more, shall, not later than one week prior to the  
139 hearing under the reopened proceeding, notify each customer who  
140 would be affected thereby that such an application is being filed. Such  
141 notice shall indicate the rate increases proposed in the application. The  
142 company shall include the notice in a mailing of customer bills, unless  
143 such a mailing would not provide timely notice to customers of the

144 reopening of the proceeding, in which case the department shall  
145 authorize an alternative manner of providing such notice.

146 (g) The department shall hold either a special public hearing or  
147 combine an investigation with an ongoing four-year review conducted  
148 in accordance with section 16-19a or with a general rate hearing  
149 conducted in accordance with subsection (a) of this section on the need  
150 for an interim rate decrease (1) when a public service company has, for  
151 six consecutive months, earned a return on equity which exceeds the  
152 return authorized by the department by at least one percentage point,  
153 (2) if it finds that any change in municipal, state or federal tax law  
154 creates a significant increase in a company's rate of return, or (3) if it  
155 finds that a public service company may be collecting rates which are  
156 more than just, reasonable and adequate, as determined by the  
157 department, provided the department shall require appropriate notice  
158 of hearing to the company and its customers who would be affected by  
159 an interim rate decrease in such form as the department deems  
160 reasonable. The company shall be required to demonstrate to the  
161 satisfaction of the department that earning such a return on equity or  
162 collecting rates which are more than just, reasonable and adequate is  
163 directly beneficial to its customers. At the completion of the  
164 proceeding, the department may order an interim rate decrease if it  
165 finds that such return on equity or rates exceed a reasonable rate of  
166 return or are more than just, reasonable and adequate as determined  
167 by the department. Any such interim rate decrease shall be subject to a  
168 customer surcharge if the interim rates collected by the company are  
169 less than the rates finally approved by the department or fixed at the  
170 conclusion of any appeal taken as a result of any finding by the  
171 department. Such surcharge shall be assessed against customers in  
172 such amounts and by such procedure as ordered by the department.

173 (h) Each public service company with more than twenty thousand  
174 customers shall provide the department, on a monthly basis, a report  
175 which includes (1) an income statement and statements of rate base;

176 and (2) the rate of return on rate base and rate of return on equity.

177     [(h)] (i) The provisions of this section shall not apply to the  
178 regulation of a telecommunications service which is a competitive  
179 service, as defined in section 16-247a, or to a telecommunications  
180 service to which an approved plan for an alternative form of regulation  
181 applies, pursuant to section 16-247k.

**ET**           **JOINT FAVORABLE SUBST.**

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Affected Agencies:** Department of Public Utility Control

**Municipal Impact:** None

**Explanation****State and Municipal Impact:**

Requiring certain utilities to furnish the Department of Public Utility Control with specific monthly reports has no fiscal impact on the state or municipalities.



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**OLR Bill Analysis**

sHB 6828

***AN ACT CONCERNING FINANCIAL REPORTING FOR UTILITIES.*****SUMMARY:**

This bill requires utilities with more than 20,000 customers to provide the Department of Public Utility Control (DPUC) with monthly reports that include (1) an income statement and statements of rate base and (2) the utility's rates of return on its rate base and equity. The bill's provisions do not apply with regard to telecommunications that the law or DPUC has deemed competitive, nor to telecommunications services subject to alternative forms of regulation.

A utility's rate base consists primarily of its plant, for example, an electric or gas company's distribution systems. The utility finances these investments through a combination of debt and equity. In regulating the utility's rates, the department specifies the utility's maximum allowed rate of return on its equity. The department can order a rate decrease if a utility exceeds its authorized return on equity for six consecutive months.

EFFECTIVE DATE: October 1, 2001

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Substitute

Yea 16      Nay 0